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**ST. MARY PARISH SALES AND USE TAX DEPT.  
STATE OF LOUISIANA**

**Annual Component Unit Financial Statements with  
Independent Auditors' Report**

**and**

**Report on Internal Control Over Financial Reporting and Compliance  
and Other Matters**

**For the Year Ended December 31, 2006**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 7-4-07

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INDEPENDENT AUDITORS' REPORT

Mr. Barry Dufrene, Director  
St. Mary Parish Sales and Use Tax Dept.  
Morgan City, Louisiana

We have audited the accompanying Statement of Fiduciary Net Assets of the St. Mary Parish Sales and Use Tax Dept., a component unit of the St. Mary Parish Council, as of December 31, 2006 which comprises the St. Mary Parish Sales and Use Tax Dept.'s basic financial statement. This financial statement is the responsibility of the Department's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

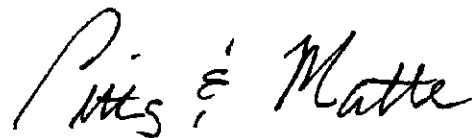
The St. Mary Parish Sales and Use Tax Dept. is an agency fund created to collect certain taxes within St. Mary Parish and remit them to the various governing bodies within the Parish. The operations of an Agency Fund are custodial in nature and because of this, the financial statement reports the assets and liabilities and does not report results of operations, nor changes in assets and liabilities.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position of the St. Mary Parish Sales and Use Tax Dept., as of December 31, 2006, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated June 14, 2007 on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of our audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Department has not presented Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming an opinion on the basic financial statement taken as a whole. The accompanying general supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statement of the Department. Such information has been subjected to the auditing procedures applied in the audit of the financial statement; and, in our opinion, the information is fairly presented in all material respects in relation to the basic financial statement taken as a whole.

A handwritten signature in cursive script, appearing to read "P. & M. Matte".

CERTIFIED PUBLIC ACCOUNTANTS

June 14, 2007

**ST. MARY PARISH SALES AND USE TAX DEPT.**

**STATEMENT OF FIDUCIARY NET ASSETS**  
December 31, 2006

**ASSETS**

Cash	\$ 788,362
Investments	2,833,298
Sales tax receivable	3,998,015
Investments - restricted	<u>179,401</u>
Total assets	<u>\$ 7,799,076</u>

**LIABILITIES**

Accounts payable and accrued liabilities	\$ 193
Amounts due to taxing units:	
Amount payable in January, 2007	3,616,684
Amount payable in February, 2007	3,998,016
Retained taxes collected	<u>184,183</u>
Total liabilities	<u>\$ 7,799,076</u>

## **ST. MARY PARISH SALES AND USE TAX DEPT.**

### **Notes to the Financial Statements**

**December 31, 2006**

#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The St. Mary Parish Sales and Use Tax Dept. is responsible for the collection and distribution of the various sales and use taxes levied within the Parish. The Department was created in 1966, when the St. Mary Parish Police Jury, forerunner of the St. Mary Parish Council, adopted its original Sales Tax Ordinance, which levied the first sales tax within the Parish. The Department now collects a total of 4% sales tax which has been levied over the years and distributes the proceeds to the various taxing units within the Parish. In addition, the St. Mary Parish Sales and Use Tax Dept. collects and distributes the Hotel/Motel Tax and the Chain Store Tax within the parish and the occupational license tax for the Town of Berwick, only. Each taxing unit has agreed to reimburse the Department for a portion of the operating costs.

The financial statements of St. Mary Parish Sales and Use Tax Dept. have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Department's accounting policies are described below.

The Department has not presented MD & A that GASB has determined is necessary to supplement, although not required to be part of, the basic financial statements.

#### **A. Reporting Entity**

In evaluating how to define the governmental unit, for financial reporting purposes, consideration has been given to the following criteria as set forth in GAAP:

1. Financial benefit or burden
2. Appointment of a voting majority
3. Imposition of will
4. Fiscally dependent

Based upon the above criteria, the Department is a component unit and integral part of the St. Mary Parish Council (the primary government).

These financial statements include only the operations of the Department.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### B. Fund Accounting

The Department uses funds to report on its financial position and the changes in its assets and liabilities. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category in turn, is divided into separate "fund types". The Department's current operations require only the use of one fiduciary fund, the agency fund.

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the government. Agency funds generally are used to account for assets that the government holds on behalf of others as their agent.

#### Fiduciary Fund

##### Agency Fund

The St. Mary Parish Sales and Use Tax Dept. is categorized as a Fiduciary Fund and is operated as an Agency Fund type. The Department accounts for the collection and disbursement of assets held as an agent for other government units. The Agency Fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

### C. Basis of Accounting

The Department uses the full accrual basis of accounting. Under the full accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

#### Collections

Sales and use taxes and hotel motel taxes are recognized in the month that the retail sale or lodging stay occurs, not when the taxes are collected by the Department. Chain store and occupational license taxes are recognized when the tax is collected by the Department.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Department is entitled to the sales and use tax revenues at the time a retail sale takes place. Taxes on sales occurring during one month become due on the first day of the subsequent month and the sales tax return and related tax payment on those sales are due to the Department by the twentieth of the subsequent month. Returns and payments received after the twentieth day of the month are delinquent and are charged interest from the first day of the month. The Department collects the sales taxes at that time and then remits the collections to the various taxing units by the tenth of the following month.

The Department records the asset (sales tax receivable) and the related liability (amount payable to taxing units) at the time of the taxable sale.

For example, when taxable sales occur in December, the related asset (receivable) and liability (payable) are recorded in December. The taxes collected on the December sales are due by the twentieth day of January and are distributed to various taxing units on February tenth.

### Distributions

The liability for distribution to the various taxing units is recorded in the month the various taxes are recognized by the Department.

### Cost of Operations

Items which make up operating charges are recognized under the accrual basis of accounting when the related liability is incurred.

### D. Budgets

The Department is not required to adopt and did not adopt a budget for the year ended December 31, 2006.

### E. Cash

For financial statement purposes, cash includes demand deposits and interest-bearing demand deposits.

### F. Investments

The Department invests primarily in external investment pools. These pooled investments are recorded at amortized costs which approximate fair value.



## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### G. Taxes Paid Under Protest

In some cases there is a dispute between the Department and taxpayers as to the taxability of certain transactions. In these cases taxes paid by the taxpayer are recorded in a restricted cash or investment account with an offsetting liability in the retained taxes collected account. At the time the ultimate taxability of the transaction is determined the funds are either: returned to taxpayer, if the transaction is determined to be nontaxable or; distributed to various taxing governments, if the transaction is determined to be taxable.

## NOTE 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS

The Department does not have a formal investment policy related to interest rate risk (the risk of an investment decreasing in value due to increasing interest rates).

In addition, the Department does not have a formal investment policy related to credit risk (including concentrations of credit). However the Department does follow state law as to limitations on types of deposits and investments as described below.

The Department does not invest in any investments subject to foreign currency risk.

### Cash and cash equivalents

Under state law the Department may deposit its funds with certain state and federally chartered financial institutions. These deposits are required to be insured or collateralized by the financial institutions.

At year end, the carrying amount of the Department's cash was \$788,362 and the bank balance was \$793,485. \$100,000 of the bank balance was covered by federal depository insurance, the remaining \$693,485 was collateralized with securities held by the financial institution's agent but not in the Department's name.

### Investments

Under state law the Department may invest in certain federal or federally guaranteed securities, certain bank time certificates of deposit, mutual or trust funds, and in the Louisiana Asset Management Pool (LAMP). LAMP is an external investment pool operated to allow local government to pool their investment funds. LAMP is not registered with the SEC as an investment company. LAMP is subject to regulatory oversight of the Louisiana State Treasurer and the LAMP board of directors. Share values for the pool are valued at amortized cost which may vary slightly from the fair value.

At year end all of the Department's invested funds were invested with LAMP. These investments total \$3,012,699 and are carried at amortized cost value which approximates fair value. These investment pool amounts have not been assigned a credit risk category since the Department is not issued securities, however LAMP has a AAAM rating from Standard and Poor's.

### NOTE 3 - AMOUNTS CURRENTLY DUE TO TAXING UNITS

The following is a detail of amounts due to taxing units at December 31, 2006:

	<u>Payable in January 2007</u>	<u>Payable in February 2007</u>
St. Mary Parish School Board	\$1,558,749	\$1,738,597
St. Mary Parish Council	577,749	656,880
City of Morgan City	490,030	533,121
City of Franklin	270,635	319,761
City of Patterson	177,806	172,521
Town of Berwick	153,127	170,713
Town of Baldwin	80,892	78,610
St. Mary Parish Recreation District #1	21,852	43,789
St. Mary Parish Sheriff's Office	222,580	248,261
St. Mary Parish Tourist Commission	55,194	35,763
Town of Berwick-occupational license	8,070	--
	<u>\$3,616,684</u>	<u>\$3,998,016</u>

### NOTE 4 - PENSION PLAN

St. Mary Parish Sales & Use Tax Dept. contributes to the Parochial Employees' Retirement System of Louisiana (Plan A ), a cost sharing multiple-employer public employee retirement system administered by a Board of Trustees consisting of seven members. The System provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries. The System was established by the Louisiana legislature Act 205 of 1952 and revised by Act 765 of 1970. The System issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by calling the Parochial Employees' Retirement System of Louisiana at (225) 928-1361.

Plan members are required to contribute 9.50% of their annual covered salary and St. Mary Parish Sales and Use Tax Dept. is required to contribute at a rate established by the State Legislature. The employer contribution rate is currently 12.75%. The St. Mary Parish Sales and Use Tax Dept.'s actual contributions to the System for the years ending December 31, 2006, 2005, and 2004 were approximately \$35,000, \$33,000, and \$30,000, respectively; and were equal to the required contributions for each year.

### NOTE 5- RELATED PARTY

The Department rents its office facilities, on a month-to-month basis, from the St. Mary Parish Council, the oversight entity. The amount of rent paid in 2006 totals \$9,600.

#### NOTE 6 - RISK MANAGEMENT

The Department is exposed to various risks of loss related to torts, theft, or damage to assets, errors and omissions, injuries to employees and natural disasters. The Department has purchased commercial insurance to protect against loss from substantially all these perils. There were no significant reductions in insurance coverages from prior years. There were no insurance settlements in excess of the amount of coverage during the last three years.

## GENERAL SUPPLEMENTARY INFORMATION

**ST. MARY PARISH SALES AND USE TAX DEPT.**

**Schedule of Yearly Transactions and Expenses  
For the Year Ended December 31, 2006**

<b>Receipts</b>	
Sales tax and other collections	\$ 40,533,811
Interest on investments	<u>68,882</u>
<b>Total</b>	<b><u>\$ 40,602,693</u></b>
 <b>Disbursements</b>	
Allocation of administrative costs	<u>\$ 809,919</u>
 Transfer and allocations of sales taxes to:	
St. Mary Parish	
Law Enforcement	935,314
Sanitation Fund	2,806,642
Debt Service Fund	1,962,523
Sales Tax Wards 1, 2, 3, 4, 7 and 10	358,644
Wards 5 & 8 Sales Tax Fund	346,962
Recreation District No. 1	317,437
Wards 6 & 9 Sales Tax Fund	79,359
St. Mary Parish School Board	17,179,705
City of Morgan City	5,133,419
City of Franklin	3,062,361
City of Patterson	1,935,789
Town of Berwick	1,703,246
Town of Baldwin	887,633
St. Mary Parish Sheriff's Office	<u>2,453,154</u>
	<u>39,162,189</u>
Transfer of chain store tax	9,891
Transfer of hotel/motel tax to:	
St. Mary Parish Tourist Commission	511,036
Transfer of Berwick Occupational License tax	<u>109,658</u>
<b>Total</b>	<b><u>\$ 40,602,693</u></b>

The taxes reflected are for sales and lodging stays that took place in the twelve months ending December 31, 2006 and chain store and occupational license taxes collected in 2006. The related payments of sales taxes made to the taxing units were actually distributed from March 2006 through February 2007.

**ST. MARY PARISH SALES AND USE TAX DEPT.**

**Schedule of Administrative Cost  
For the Year Ended December 31, 2006**

Salaries	\$	271,603
Examination fees and costs		320,518
Group insurance		66,417
Retirement expense		34,629
Office supplies		7,829
Computer expense		10,142
Auto and travel expense		13,946
Postage		9,977
Rent		9,600
Telephone		6,417
Equipment rental and maintenance		8,064
Payroll taxes		3,076
Professional services		22,954
Due and subscriptions		7,360
Workers Compensation		1,386
Office equipment		<u>16,001</u>
	\$	<u>809,919</u>

INTERNAL ACCOUNTING CONTROL OVER FINANCIAL REPORTING  
AND COMPLIANCE AND OTHER MATTERS SECTION



REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

Mr. Barry Dufrene, Director  
St. Mary Parish Sales and  
Use Tax Dept.  
Morgan City, Louisiana

We have audited the financial statement of the St. Mary Parish Sales and Use Tax Department, as of December 31, 2006, which collectively comprise the St. Mary Parish Sales and Use Tax Dept.'s basic financial statement and have issued our report thereon dated June 14, 2007, which contains an additional paragraph. The paragraph notes that management elected to omit Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered St. Mary Parish Sales and Use Tax Dept.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the St. Mary Parish Sales and Use Tax Dept.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the St. Mary Parish Sales and Use Tax Dept.'s internal control over financial reporting.



A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects St. Mary Parish Sales and Use Tax Dept.'s ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of St. Mary Parish Sales and Use Tax Dept.'s financial statements that is more than inconsequential will not be prevented or detected by the St. Mary Parish Sales and Use Tax Department's internal control.

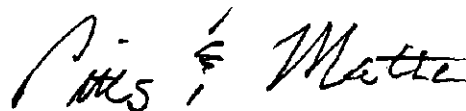
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the St. Mary Parish Sales and Use Tax Department's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the St. Mary Parish Sales and Use Tax Department's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended solely for the information of management of the Department, the Legislative Auditor of the State of Louisiana and the Finance Committee of the St. Mary Parish Council, and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is considered a public record and may be distributed by the Legislative Auditor.



CERTIFIED PUBLIC ACCOUNTANTS

June 14, 2007

ST. MARY PARISH SALES AND USE TAX DEPT.  
STATE OF LOUISIANA

Schedule of Findings, Questioned Costs, and Federal Awards  
For the Year Ended December 31, 2006

A. SUMMARY OF AUDIT FINDINGS

1. The auditors' report expressed an unqualified opinion on the financial statement of the St. Mary Parish Sales and Use Tax Dept.
2. Report on Internal Control over Financial Reporting and Compliance and Other Matters Material to the Financial Statements

Internal Control over financial reporting

No findings are required to be reported for the year ended December 31, 2006.

Compliance

There were no material instances of noncompliance or other matters noted during the audit of the financial statements.

3. Federal Awards

This section is not applicable for the year ended December 31, 2006.

4. Management Letter

No letter was issued.

B. FINDINGS FINANCIAL STATEMENT AUDIT

There are no findings to be reported for the year ended December 31, 2006.

C. FINDINGS AND QUESTIONED COSTS - FEDERAL AWARDS PROGRAMS

This section is not applicable for the year ended December 31, 2006.

SUMMARY OF PRIOR YEAR FINDINGS AND RELATED CORRECTIVE ACTION  
PREPARED BY ST. MARY PARISH SALES AND USE TAX DEPT.

INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL  
STATEMENTS

*Internal Control and Compliance*

There were no findings in the prior year.

INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS

This section is not applicable.